

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$9,997,000)		(\$10,252,000)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	(\$9,997,000)		(\$10,252,000)	

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 986 amends Nebraska Revised Statutes Sections 77-3507, 77-3508, and 77-3509 dealing with the homestead exemption.

Section 77-3507 is amended to change the homestead eligibility income limitations for qualified claimants. For example, the current income limitation to receive a 100% exemption is a maximum household income of \$22,500 for a married claimant. Income levels are then increased in increments of \$1,200, correspondingly tax relief is reduced in increments of 15% until reaching a household income of \$28,501, at which point no relief is provided. The same method is applied to qualified single claimants.

LB 986 changes those amounts and the percentage increments of relief. For qualified married claimants the starting income level is still a maximum of \$22,500 receiving 100% relief but then increases the income increments by \$2,000 with corresponding 10% reductions in percentage of relief until reaching \$40,501, at which point no relief is provided. The same method is applied to qualified single claimants.

Sections 77-3508 and 77-3509 are amended using the same methodology described above.

NOTE: All three sections of statute provide that the income eligibility amounts in those sections are to be adjusted for inflation and they have been so adjusted since 2000. The amounts shown in statute are not the actual indexed income levels currently used by the Department of Revenue to determine eligibility and the percentage amount of property tax relief. This was an oversight in the drafting of the bill. The fiscal impact of LB 986 shown in this fiscal note is based on the bill as written. It is our understanding that an amendment will be offered at the committee hearing to adjust the income levels to take into account the indexing and the change in income levels that has taken place since 2000.

The Department of Revenue has estimated a reduction in General Fund expenditures in the following amounts:

FY2014-15: \$ 9,997,000  
 FY2015-16: \$ 10,252,000  
 FY2016-17: \$ 10,508,000

The Department also noted that an application for the homestead exemption may be filed with the county assessor between February 1 and June 30 of each year. LB 986 contains the emergency clause and becomes operative upon signing by the Governor. This will require the Department to reprint the 2014 preprinted forms for applicants to file new applications for the 2014 application period. The Department estimates a cost of \$5,000 in FY13-14 for printing and mailing.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact.

We agree regarding the cost of reprinting and mailing and assume the cost will be absorbed by the Department.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 986	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/4/2014	PHONE: <a href="tel:402.471.4181">402.471.4181</a>
COMMENTS: Given the increase in the income limitations above the current indexed thresholds, no basis to disagree with the Department of Revenue's estimate of a reduction in General Fund expenditures.		

